

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

RECEIVED
APR 1 11 27 AM '98
OFFICE OF THE CLERK

POSTAL RATE AND FEE CHANGES, 1997

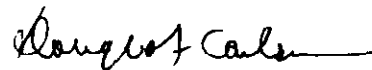
Docket No. R97-1

DOUGLAS F. CARLSON
INITIAL BRIEF

March 30, 1998

I, Douglas F. Carlson, hereby submit my initial brief in Docket No. R97-1.

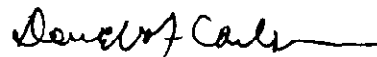
Respectfully submitted,



DOUGLAS F. CARLSON

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the required participants of record in accordance with section 12 of the *Rules of Practice*.



DOUGLAS F. CARLSON

March 30, 1998
Emeryville, California

TABLE OF CONTENTS

I.	STAMPED CARDS	1
A.	THE POSTAL SERVICE'S PROPOSED 23-CENT RATE AND FEE FOR STAMPED CARDS IS UNFAIR, INEQUITABLE, AND ECONOMICALLY INEFFICIENT.	1
B.	MY PROPOSED 20-CENT RATE CATEGORY FOR STAMPED CARDS SATISFIES THE STATUTORY PRICING CRITERIA.	1
C.	IF THE COMMISSION DOES NOT RECOMMEND MY PROPOSED RATE CATEGORY FOR STAMPED CARDS, THE COMMISSION MUST REJECT THE STAMPED-CARD FEE.	2
II.	POST-OFFICE BOXES	2
A.	THE COMMISSION MUST CONSIDER THE EFFECT OF THE PROPOSED BOX FEES ON GROUP C CUSTOMERS.	2
B.	THE POSTAL SERVICE CANNOT JUSTIFY A LARGE FEE INCREASE FOR GROUP C BOXES.	3
1.	The Postal Service has not proven that boxholders receive an "extremely high value of service."	3
2.	The Postal Service cannot justify the proposed Group C fees under any other statutory criteria.	4
3.	The proposed fee schedule is not fair and equitable.	5
III.	RETURN RECEIPT	5
A.	THE POSTAL SERVICE'S EXPLANATION FOR WHY CUSTOMERS USE RETURN-RECEIPT SERVICE IS LOGICALLY IMPLAUSIBLE.	5
B.	THE POSTAL SERVICE HAS NO EVIDENCE TO SUPPORT ITS NEW THEORY ON WHY CUSTOMERS VALUE RETURN-RECEIPT SERVICE.	7
C.	NO REASONABLE ALTERNATIVES TO RETURN RECEIPT EXIST.	7
D.	VOLUME GROWTH IS EVIDENCE OF THE ABSENCE OF ALTERNATIVES, NOT THE VALUE OF THE SERVICE OR CUSTOMER SATISFACTION.	8
E.	PROVISION OF ADDRESS-CORRECTION INFORMATION DOES NOT JUSTIFY A FEE INCREASE.	9
F.	HIGH VALUE DOES NOT JUSTIFY AN INCREASED COST COVERAGE.	9
G.	SERVICE PROBLEMS ARE MORE WIDESPREAD THAN THE POSTAL SERVICE HAS ADMITTED.	9
H.	THE POSTAL SERVICE HAS FAILED TO MEET ITS BURDEN OF PROOF.	10

I. STAMPED CARDS

A. THE POSTAL SERVICE'S PROPOSED 23-CENT RATE AND FEE FOR STAMPED CARDS IS UNFAIR, INEQUITABLE, AND ECONOMICALLY INEFFICIENT.

As I explained in my trial brief, the Postal Service's proposal to charge customers 23 cents to purchase and mail a stamped card is unfair and inequitable because stamped cards cost 7.6 cents to manufacture and process, while private post cards cost 18.7 cents.¹ See Douglas F. Carlson Trial Brief at 1–2. The differential in processing costs exists because stamped cards are more compatible with automation than private post cards. *Id.* at 2–4. The Postal Service's proposed fee structure would be economically inefficient because customers would be encouraged to use private post cards instead of stamped cards. *Id.* at 2.

B. MY PROPOSED 20-CENT RATE CATEGORY FOR STAMPED CARDS SATISFIES THE STATUTORY PRICING CRITERIA.

In my trial brief at 4–5, I explained why my proposed rate category for stamped cards satisfies the statutory pricing criteria and constitutes sound postal ratemaking. The Commission and the Postal Service should seize this opportunity to allow individuals and small businesses to share in the benefits of automation. In addition, as I discussed in my testimony, the Commission may wish to re-examine the rates for the entire Stamped Cards and Post Cards subclass to recognize the variability in the attributable costs for stamped cards, private post cards, and presort cards. Tr. 24/12801–02 and Tr. 13/6993.

The Postal Service may argue that my proposed rate categories — Single-Piece Post Cards and Single-Piece Stamped Cards — are not sufficiently homogeneous because some private post cards that happen to be automation-compatible may cost as little to process as stamped cards. See Tr. 24/12850 and 12853. Homogeneity is not, however, a requirement for sustaining a rate category. For example, a one-ounce, dark-green envelope with a handwritten address surely costs more to process than a one-ounce, typewritten, white #10 envelope. Nonetheless, one rate, 32 cents, applies to both letters. A handwritten, dark-green *post card* probably costs more to process than a one-ounce, typewritten, white #10 envelope, yet the post card pays 20 cents while the letter pays 32 cents. We accept this imperfect match between rates and costs because, *in general*, post cards cost less to process than letters, and one-ounce letters presumably cost less to process than two-ounce letters. Under my proposal, stamped cards would be subject to a lower rate than private post cards because, in general, stamped cards cost considerably less to process than private post cards. Exceptions will exist, but the exceptions will be tolerable. In any event, my proposal surely is superior to the Postal Service's proposed 23-

¹ Since the presiding officer declared that trial briefs are incorporated automatically into participants' initial briefs, Tr. 1/30, I will not repeat the discussion of my proposal for stamped cards and will instead refer the Commission and participants to Douglas F. Carlson Trial Brief at 1–5.

cent rate and fee for stamped cards, since the Postal Service's proposal would charge a *higher* rate and fee to stamped cards, which, in general, cost *less* to process than private post cards.

C. IF THE COMMISSION DOES NOT RECOMMEND MY PROPOSED RATE CATEGORY FOR STAMPED CARDS, THE COMMISSION MUST REJECT THE STAMPED-CARD FEE.

If the Commission decides not to approve my proposed rate category for stamped cards, the Commission nevertheless must reject a two-cent fee for stamped cards. As I explained in my trial brief at 1–2, the proposed fee is unfair, inequitable, and economically inefficient. If stamped cards instead continued to be charged the *same* total rate as private post cards — 21 cents under the Postal Service's proposal — the public would lose an opportunity to share directly in the benefits of automation. However, at least the public would be spared the Postal Service's unfair and inequitable stamped-card fee.

II. POST-OFFICE BOXES

A. THE COMMISSION MUST CONSIDER THE EFFECT OF THE PROPOSED BOX FEES ON GROUP C CUSTOMERS.

Under 39 U.S.C. § 3622(b)(4), the Commission must consider “the effect of rate increases upon the general public.” Approximately *8.1 million customers* use a Group C, size 1, 2, or 3 box. USPS-T-24 at 12, Table 7A. The Postal Service proposes to raise fees for these Group C boxes by 10.6 to 12.5 percent, nearly triple the average rate and fee increase proposed in this case. USPS-T-39 at 59.

Instead of attempting to justify this large fee increase for Group C boxes, the Postal Service seeks to divert attention away from these 8.1 million boxholders and instead focus on the overall cost coverage for post-office boxes. USPS-RT-23 at 2–3. Witness Needham notes that the TYBR cost coverage is 99.6 percent, while the TYAR cost coverage would be “just 115 percent.” *Id.* at 3. I do not contend that a cost coverage of 115 percent for boxes is necessarily unreasonable. Rather, I object to the means by which the Postal Service attempts to achieve this cost coverage. As the spreadsheet that witness Needham provided at Tr. 3/572 reveals, Group D boxes, which do not cover their costs, are dragging down the overall cost coverage for post-office boxes. Group D box fees must be raised over time to cover their costs. However, absent some well-articulated justification, Group C boxholders must not be forced to increase their total subsidy to Group D boxes simply because the Postal Service desires more revenue from boxes. Group C boxholders are under siege. Given the Postal Service's healthy financial condition, the Commission must reject this triple-the-average fee increase for Group C boxes.

B. THE POSTAL SERVICE CANNOT JUSTIFY A LARGE FEE INCREASE FOR GROUP C BOXES.

The Postal Service has failed to justify a large fee increase for Group C, size 1, 2, and 3 boxes under the criteria of 39 U.S.C. § 3622(b).

1. The Postal Service has not proven that boxholders receive an “extremely high value of service.”

The Postal Service’s case for its proposed fee increase for Group C boxes rests primarily on witness Needham’s assertion that boxholders receive an “extremely high value[] of service.” USPS-T-39 at 66. Remarkably, witness Needham claims that she merely needs to say that the Postal Service provides high-quality box service and then intervenors who disagree must prove otherwise on a nationwide basis. See Tr. 32/17068, lines 17–25, and Tr. 32/17069, line 2. However, as the proponent of this fee increase, the Postal Service, not the intervenors, has the burden of satisfying the statutory criteria and proving a high value of service. The Postal Service has failed to prove its case for a high value of service under § 3622(b)(2).

First, the Postal Service has not presented any studies or provided any evidence other than witness Needham’s assertion to support the claim that the Postal Service provides high-quality box service. Tr. 32/17066, lines 8–19. With this omission alone, the Postal Service has failed to meet its burden of proof.

Second, I have provided evidence describing the various types of service problems that I have experienced with post-office-box service. Tr. 24/12809–12. Witness Needham has no “studies indicating that the service problems I have described do not exist at a significant number of Post Offices nationwide.” Tr. 32/17068, lines 12–16. Thus, while my testimony describes my experiences and, by inference, the experiences of other boxholders at my post offices, the Postal Service has been unable to assure the Commission that my testimony is not, in fact, representative of the service problems associated with box service. Indeed, under cross-examination from Chairman Gleiman, witness Needham acknowledged that she does not routinely see complaint letters such as the ones that I sent to my postmaster about box service, and she admitted that she does not know whether the problems I have experienced are widespread. See *generally* Tr. 32/17088, line 14, through Tr. 32/17091, line 3. In other words, witness Needham is not in a position to know about the types of service problems that may exist, yet she nevertheless claims that the Postal Service provides an “extremely” high value of service.

Witness Needham would like the Commission to believe that my specific service problems have been solved. USPS-RT-23 at 4–7. She made this claim, however, without even having seen my original letters in which I stated the problems. Tr. 32/17094, line 24, through Tr. 32/17095, line 1. In reality, in regard to the long lines to pick up mail, she failed to show that Postmaster Banks’ solution — to make all the windows full service instead of directing customers

who need to pick up mail to one specific window — would not merely shift customers into a different line and not reduce their waiting time. See USPS-RT-23 at 4–6. Indeed, while customers who previously were required to use the single pickup window waited in line anywhere from one to 25 minutes, now these customers can count on waiting at least 10 minutes in the notoriously long lines in the Berkeley post office. As for my complaint about delays in delivery of First-Class flats, witness Needham apparently believes that the monitoring of my flat mail on a *single* day, October 23, 1997, was a reasonable way to evaluate a delivery problem. See Tr. 32/17061–62. I explained in my follow-up letter dated November 7, 1997, the reasons why the Postal Service’s response to my complaint was unsatisfactory and why I objected to the Postal Service’s apparent attempt to deny the existence of the problems and instead to search for faults with my complaint. Tr. 32/17100–02. Finally, in regard to my complaint about the Berkeley post office’s failure to deliver box mail by the posted 11:00 AM cutoff time, witness Needham claims that conditions have improved. USPS-RT-23 at 6–7. However, my postmaster has not yet replied to my complaint letter. Moreover, witness Needham and my local postal officials have not addressed the other prong of my complaint, at Tr. 32/17099, in which I stated my belief that an 11:00 AM cutoff time for delivery of box mail was unreasonably late.

In sum, not only has the Postal Service failed to provide any evidence in support of its contention that it provides high-quality box service, the Postal Service has been unable to show that the problems that I have experienced are not widespread or even representative of box service nationwide. Thus, the increase in Group C fees is not justified under criterion 2.

2. The Postal Service cannot justify the proposed Group C fees under any other statutory criteria.

The Postal Service cannot support its large fee increase for Group C boxes under any of the other criteria. While the fees satisfy part of criterion 3 because they cover costs, the only way in which additional costs could be “reasonably assignable” to boxes would be upon a showing of a high value of service; but the Postal Service has failed to demonstrate a high value of service. Criterion 4 argues against a fee increase that would affect 8.1 million boxholders — many of whom are individuals and small businesses — absent some justification for singling out these customers for a triple-the-average fee increase. As for criterion 5, the Postal Service has failed to identify alternatives to Postal Service boxes that provide comparable services *and* are similarly priced. See PRC Op. MC96-3 at 64. To try to satisfy criterion 7, which directs the Commission to consider the simplicity of the fee structure and identifiable relationships between fees, witness Needham cites the fact that Group C fees would be divisible by \$5. She has not explained why divisibility by \$5 is such an important characteristic. Tr. 32/17075, line 19, through Tr. 32/17078, line 19. In fact, when I asked her whether a current fee of \$44 — which is not divisible by \$5 — caused problems or confused customers, she answered, “Well, I’m not sure.” Tr. 32/17078, lines

16–19. Achieving divisibility by \$5 is not a justification for slapping Group C customers with a large fee increase.

3. The proposed fee schedule is not fair and equitable.

The large fee increase for Group C, size 1, 2, and 3 boxes is unfair because no reason exists to justify singling out 8.1 million boxholders for a large fee increase. The entire proposed fee schedule for boxes is not equitable because it generally *maintains* the large gap in cost coverage between Group C and Group D boxes, even though both groups of boxholders receive essentially the same service. For example, the current cost coverage for Group C, size 1 is 130.0 percent, while the cost coverage for Group D, size 1 is 42.4 percent. Tr. 3/572. The difference is 87.6 percent. If the proposed fees are approved, the gap will decline only slightly, to 82.6 percent. See *Id.* Given that size 1 boxes in Groups C and D comprise a majority of all boxes, see USPS-T-24 at 16, Table 8, this small reduction in the gap is unacceptable. The fee schedule appears designed primarily to increase revenue — revenue that the Postal Service does not need — and not to promote fairness and equity. Group C boxholders would be the principal victims of this fee proposal. The Commission should increase equity in the fee schedule for boxes by reducing the fee increase for Group C boxes, thus shrinking the gap in cost coverages.

III. RETURN RECEIPT

The Postal Service proposes a 32-percent increase in the fee for return receipt, from \$1.10 to \$1.45, to reflect the “high value” of this service. USPS-T-40 at 15. My testimony, however, has revealed serious deficiencies in return-receipt service, thus undermining the Postal Service’s claim that the current cost coverage is too low. Tr. 24/12814–18. These service problems generally involve the Postal Service’s failure to act as a disinterested third party in ensuring that the correct date of delivery is placed on the return receipt, the widespread failure of delivery employees to require the recipient to complete the “print name” block, and the failure to mail back the return receipt to the sender within one working day after delivery.

To avoid the obvious conclusion that the value of return-receipt service is not as high as the Postal Service would like the Commission to believe, the Postal Service has suggested that customers actually do not care much about the features of the service described above and that customers, rather, use return-receipt service “mainly to obtain acknowledgement that an article’s been delivered to the recipient.” Tr. 32/17152. Not only does the Postal Service have no evidence with which to support this proposition, the Postal Service’s suggestion is logically implausible.

A. THE POSTAL SERVICE’S EXPLANATION FOR WHY CUSTOMERS USE RETURN-RECEIPT SERVICE IS LOGICALLY IMPLAUSIBLE.

In response to candid and undeniably accurate evidence revealing that the Postal Service disregards its *Domestic Mail Manual* regulations when delivering return-receipt mail to high-volume recipients, witness Plunkett has asserted that my evidence is limited in value because customers are using return-receipt service "mainly to obtain acknowledgement that an article's been delivered to the recipient." *Id.* The implication is that the Postal Service's failure to ensure that the correct date of delivery is placed on the return receipt, that the "print name" block is completed, and that the return receipt is actually returned are of low relevance to determining the value of the service because most customers are primarily interested in knowing simply that an article was, in fact, delivered.

If a customer wished to know only that a recipient received his letter, he could enclose a self-addressed, stamped post card in the envelope and ask the recipient to mail the post card back to him. Unlike my hypothetical example at Tr. 3/848–50, he would not even need to ask the recipient to sign or date the post card; he would simply need to request that the recipient mail the card back to him. This post card would cost the customer 20 cents. If customers who use return-receipt service truly desired mainly acknowledgement that an article had been delivered, it is hard to imagine why nearly 236 million customers, Tr. 32/17129, nevertheless spent \$1.10 in FY 1996 for a service that they could have obtained for 20 cents.

In reality, these 236 million customers chose to pay \$1.10 for return-receipt service because they believed that return-receipt service would provide them with something more. Specifically, the Postal Service's publication *Consumer's Guide To Postal Services and Products* promises a return receipt showing "who signed for the item and the date that it was delivered." *Guide* at 28. Even if customers have not read this publication, most customers undoubtedly expect these services, especially since the green return receipt has boxes for this information. Postal regulations attempt to fulfill this promise to customers by requiring the delivery employee to retain possession of the mail piece until the recipient signs the return receipt. DMM § D042.1.7. This regulation attempts to ensure that the Postal Service acts as a disinterested third party in confirming delivery and recording the date on which a piece of mail was delivered, thus removing an opportunity for a recipient to benefit from providing false information about the date of delivery or even denying receipt. See Tr. 3/848–50. Postal employees also are required to mail the return receipt back within one work day after delivery. *Postal Operations Manual* § 822.112. In the absence of these features of return-receipt service, customers would have little incentive to spend \$1.10 if they could obtain the same, equally reliable information for 20 cents.

In reality, of course, these additional characteristics comprise the essence of return-receipt service. Witness Plunkett has acknowledged that these elements add value to the service.² See,

² The value is derived from the fact that return receipt is supposed to provide these various elements of the service, not because postal regulations require these elements. See Tr. 32/17154, line 16, through Tr. 32/17155, line 24. For example, customers derive value from overnight Express Mail service because Express Mail provides overnight service, not because the *Domestic Mail Manual* specifies that Express Mail should be delivered overnight.

e.g., Tr. 3/848–50, 3/865, and 3/869. In addition, in Docket No. MC96-3, the Postal Service stated that addition of the “print name” block added value to return-receipt service. Docket No. MC96-3, Postal Service Initial Brief at 91–92. In that case, when the Postal Service was eager to trumpet the value of return-receipt service, the Postal Service even argued that the “print name” block is “particularly valuable to the sender if the recipient’s signature is illegible.” *Id.* at 92. Now, in light of evidence showing widespread disregard for the “print name” block and other service problems, Tr. 24/12814–18, witness Plunkett downplays the importance of these other features and suggests that customers desire mainly acknowledgement of delivery and little more. Tr. 32/17149–50, 17153–54. Assuming, however, that customers are acting rationally, by electing to pay \$1.10 for a return receipt they *must* want more than mere acknowledgement of delivery.

B. THE POSTAL SERVICE HAS NO EVIDENCE TO SUPPORT ITS NEW THEORY ON WHY CUSTOMERS VALUE RETURN-RECEIPT SERVICE.

Witness Plunkett’s claim that customers desire primarily acknowledgement of delivery and little else suffers from another serious shortcoming: he has no evidence to support his claim. Witness Plunkett testified that “there’s been no study to attempt to quantify the extent to which customers value a specific element of return-receipt service.” Tr. 32/17153, lines 14–16. For example, when I asked witness Plunkett whether he could disprove my supposition that 90 percent of customers want a correct date of receipt on their return receipt, he had no specific evidence to cite to prove to me that my supposition was not true. Tr. 32/17154. The Postal Service has no evidence on what people desire from return-receipt service. The Postal Service also has no evidence quantifying the value that each element of the service contributes to the overall value of the service. If this evidence existed, the Commission could compare it to a measurement of the quality of each element of the service that the Postal Service provides and determine the value of the service. Of course, the Postal Service also has no evidence on the quality of the service, having dismissed the Commission’s suggestion in Docket No. R90-1 to conduct a study. PRC Op. R90-1 at § 6576, fn. 10. Intervenors have introduced the only evidence on service quality, and the evidence reveals poor service. Tr. 24/12814–18 and Tr. 3/993–1000. In sum, the Postal Service has provided no evidence on quality or value, and yet it requests a 32-percent fee increase despite its healthy financial condition. The Commission must reject this fee increase.

C. NO REASONABLE ALTERNATIVES TO RETURN RECEIPT EXIST.

A customer who wishes to obtain a return receipt for a one-ounce letter must pay 32 cents postage, \$1.35 for certified mail, and \$1.10 for the return receipt. The total price is \$2.77. No reasonably priced alternatives exist.

The Postal Service suggests that a customer could use three-day service from UPS at a price of \$5.65 and obtain a signed delivery confirmation. Tr. 32/17118. First, a service that costs

twice as much as the one offered by the Postal Service is not a reasonable alternative within the meaning of 39 U.S.C. § 3622(b)(5). Second, witness Plunkett has presented little information about this service. For example, we do not know whether this service is available to and from every point in the country, Tr. 32/17137–38, the public is reasonably well aware of this service, see Tr. 24/12859, or the signed delivery confirmation provides the same information as a return receipt. Tr. 17137–41. Moreover, the Postal Service, with its extensive network of collection boxes and retail facilities, surely is more accessible to the general public than UPS. In addition, for many destinations, UPS' service provides slower service than the Postal Service's, since much return-receipt mail is destined to overnight and two-day areas. All these unanswered questions cast doubt on the extent to which UPS' 3-day service is an alternative to return-receipt service.

Witness Plunkett also asserts that Express Mail is an alternative to return-receipt service. Tr. 32/17118. A customer who is dissatisfied with the quality of the return-receipt service that he would receive for \$2.77 should not be required to pay \$10.75 for an alternative — expedited delivery — that he does not need. Moreover, Express Mail does not even provide a written and signed delivery confirmation similar to a return receipt that a customer could take into a legal forum as proof of delivery.³ The Postal Service simply cannot escape from the fact that no reasonably priced alternatives to return receipt, within the meaning of § 3622(b)(5), exist.

D. VOLUME GROWTH IS EVIDENCE OF THE ABSENCE OF ALTERNATIVES, NOT THE VALUE OF THE SERVICE OR CUSTOMER SATISFACTION.

The Postal Service suggests that service problems with return receipt are not as widespread as I believe⁴ or that, despite the service problems, "customers continue to view return receipt as valuable." Tr. 32/17120, lines 21–23. The Postal Service cites volume growth as evidence of value. Tr. 32/17117.

Volume cannot possibly be viewed as reliable evidence of value if no reasonably priced alternatives to the service exist. Instead, volume is evidence of customers' need for the service. Customers other than Mr. Popkin, my brother in Boston, and I surely are receiving inconsistent and deficient return-receipt service. In fact, when the Postal Service allows recipients to indicate an incorrect date of delivery on return receipts, we and other customers may not even be aware that the Postal Service has failed to provide the correct date of delivery. See Tr. 24/12844. We do not have reasonably priced alternatives, however, so our dissatisfaction with the service is not reflected in volume statistics. The Postal Service has a monopoly on First-Class, return-receipt

³ Witness Plunkett, who is not an expert on Express Mail, Tr. 32/17142, "assume[s]" that a customer could obtain a written confirmation of the electronic delivery confirmation of Express Mail, but he provides no specifics. Tr. 32/17142–43. Clearly, this option, if it even exists, is convoluted and time-consuming at best and hardly qualifies as an alternative to return receipt.

⁴ Despite witness Plunkett's claim at Tr. 32/17121, Consumer Service Card data do not provide a reliable estimate of customer complaints. If Consumer Service Card data were a reliable indicator, the Postal Service should have received 15 billion complaints about delays in First-Class Mail, not the 28,780 that it actually received in FY 1996. See Tr. 32/17164–67 and DFC/USPS-29.

mail. Given the absence of alternatives, customers who need signed delivery confirmation are likely to take their chances with return-receipt service. Therefore, volume growth for a monopolist's service does not indicate the value of that service.

E. PROVISION OF ADDRESS-CORRECTION INFORMATION DOES NOT JUSTIFY A FEE INCREASE.

In Docket No. MC96-3, the Postal Service proposed a fee increase from \$1.10 to \$1.50 for return receipt by "enhancing" the service to provide address-correction information to all customers. The Commission rejected the fee increase because 98 percent of return-receipt users were electing not to purchase address-correction information for an additional 40 cents; thus, the address information was not worth 40 cents to them. PRC Op. MC96-3 at 110. The Commission determined that the 40-cent fee increase was a "substantial, unjustified price increase for most users of the service[.]" *Id.* In this case, the Postal Service has provided no evidence of the value, if any, that the address information provides to the typical customer. Tr. 32/17153, lines 14–16.

The Postal Service will be adding a box to indicate that a delivery address has not changed. USPS-T-40 at 11. This box will increase the reliability of the address information. However, the value of this added reliability will be limited by the low value of the address information itself. If the address information is of minimal value to customers (e.g., four cents), the added value from the knowledge that the information is *reliable* will be less (e.g., two cents) than the value of the underlying information. The Commission must require evidence from the Postal Service about the value of address information before it bases a fee increase on it.

F. HIGH VALUE DOES NOT JUSTIFY AN INCREASED COST COVERAGE.

To support the proposed fee increase for return receipt, witness Plunkett cites the Commission's conclusion in Docket No. MC96-3 that "return receipt service has a high value." Tr. 32/17117; PRC Op. MC96-3 at 111. Witness Plunkett understandably omitted the next sentence from the Commission's opinion: "However, that fact alone does not indicate that the current coverage of return receipt is too low." *Id.* The Commission also noted that "the Postal Service has presented no evidence comparing the current relationship between value and contribution of its various products." *Id.* Thus, the Postal Service has not justified a 32-percent fee increase.

G. SERVICE PROBLEMS ARE MORE WIDESPREAD THAN THE POSTAL SERVICE HAS ADMITTED.

The Postal Service has engaged in a campaign of deception regarding the quality of return-receipt service. In its reply brief in Docket No. MC96-3, the Postal Service assured the Commission that a headquarters memorandum "dispels any implication that unauthorized procedures that promote convenience are permissible; in fact, such practices 'should not be tolerated.'" Docket No. MC96-3, Postal Service Reply Brief at 88. The Postal Service charged

that my and Mr. Popkin's concerns about delivery problems, such as the Postal Service's failure to act as a disinterested third party in ensuring that return receipts are completed with the correct date of delivery, were "unfounded." *Id.*

In the current case, the Postal Service at first continued to deny the existence of any unauthorized delivery arrangements. After I demonstrated that certain interrogatory responses, Tr. 3/866–68, contained false information, witness Plunkett then admitted in his rebuttal testimony that procedures that deviate from DMM regulations *do* exist for delivery to several large-volume recipients. Tr. 32/17122. His solution to the problem, however, is merely to amend the regulations to allow postal facilities to turn over return receipts to Internal Revenue Service Centers and allow IRS employees to complete the return receipts without supervision by postal employees, thus denying customers the essence of the service for which they paid \$1.10. See Tr. 32/17125. Witness Plunkett reasons that customers who use return-receipt service to send mail to the IRS do not need the actual date of delivery, Tr. 32/17123, but this theory is at odds with his own acknowledgement that a customer has a right to receive a service that he has purchased even if someone else, such as the Postal Service, unilaterally decides that the customer does not actually need that service. See Tr. 32/17170.

The Commission must note that the Postal Service still has admitted specific problems with return receipt *only to the extent that intervenors have presented evidence on specific instances of unauthorized procedures*. Until I forced the issue by presenting a cross-examination exhibit to witness Plunkett and introducing correspondence between the Postal Service and Mr. Popkin in LR-DFC-2, the Postal Service was hoping not to acknowledge any problems. The problems that I have documented surely are only the tip of the iceberg. We can only wonder which other skeletons are lurking in the Postal Service's return-receipt closet.

H. THE POSTAL SERVICE HAS FAILED TO MEET ITS BURDEN OF PROOF.

As the proponent of a 32-percent fee increase, the Postal Service must prove its claims about value and quality of service. The Postal Service has failed to provide evidence demonstrating the value or quality of return-receipt service. In fact, the only evidence in the record describes service problems, and the Postal Service hardly was forthcoming or truthful in providing or confirming this information. The Commission should withhold a fee increase until the Postal Service provides competent evidence on the quality of the service and improves deficiencies. The Postal Service will continue to stonewall intervenors and provide poor service to customers until the Commission requires the Postal Service to provide evidence justifying a fee increase based on value of service. In this case, the Postal Service has failed to meet its burden of proof. Therefore, the Commission should reject this substantial and unwarranted fee increase.